

0510.37 Agency Contract Compliance Inspectors and Administrators - *Pre-Award & Post-Award*

Issued October 31, 2007

SUBJECT: Agency Contract Compliance Inspectors and Administrators Pre-Award & Post-Award

APPLICATION: Executive branch departments and sub units.

PURPOSE: To specify the duties and responsibilities of a contract compliance inspector who serves as the agency's day-to-day manager of a contract awarded through PurchOps. The procedure applies to all purchases for commodities, services, and information technology (IT) made by PurchOps, where a contract compliance inspector is identified by an agency.

CONTACT AGENCY: Department of Management and Budget (DMB)
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SUMMARY: Successful completion of a contract requires monitoring. Effective oversight by a contract compliance inspector will increase the probability that expectations associated with a project or service is fulfilled in a responsible fashion. Monitoring also should uncover difficulties which, left unattended could lead to the failure of a project or to unsatisfactory service.

After the contract has been awarded to a vendor, contract monitoring of both vendor and State achievement of commitments, becomes the responsibility of the Contract Compliance Inspector (CCI). A post-award conference is a useful tool for transitioning from the buyer to the CCI. If a post-award conference is not appropriate, the buyer and the CCI should meet to ensure that the terms of the contract are clear before attempting to monitor and gather feedback on it.

Duties of a contract compliance inspector do not include authority to negotiate changes, modifications, amendments, or otherwise alter the terms, conditions, prices and specifications of the contract. This authority rests solely with DMB PurchOps. Any amendment to the contract will be issued by PurchOps as a formal contract amendment. Suggested revisions should be discussed with PurchOps (see procedure 0610.02 Advice of Change Processing).

APPLICABLE FORMS: Procurement Initiation Letter (PRF)
AND PROCESSES Risk Assessment Report (completed with Statement of Work (SOW))
Risk Assessment Action Plan (completed with SOW)
Contract Compliance Report
Advance Notice of New or Expiring Contracts Report
Vendor Score Card
Contract Closeout Report
Signed State of Michigan Contract (all Articles and Appendices)
MAIN Electronic Documents & Processes:

- Contractual Services Request-CS-138 (PCHL2117)
- Blanket Purchase Order-BPO (PCHL2342)
- Vendor Performance (PCHL5260)

DMB PurchOps Procedures & Policy Letters:

- Signature Authority Letter
- PurchOps Internal Procedures for contract compliance monitoring, vendor performance, contract change processing, and contract close out.

Procurement documentation:

- Signed State of Michigan Contract (all Articles and Appendices)
- Contract kick-off conference record
- Contract folder tabs 1-6

APPROVALS: Agency & PurchOps: Internal and external approvals must be obtained and documented according to agency policies and procedures, including provisions addressed in the DMB PurchOps Signature Authority Letter.

PROCEDURES:

Performance outcomes and service levels are the key to sound contracts. The contract should itemize a progress schedule that includes a series of progress reports or meetings on a regular basis to allow the agency to determine whether the vendor is on the right track with deliverables and whether the project is on schedule. This will enable the agency to provide status reports on an interim basis to purchasing leadership. A progress schedule also provides an opportunity to communicate difficulties or special problems encountered so that remedies can be developed quickly.

It should be noted that while the vendor is contractually liable to perform according to the Terms and Conditions of the contract, it is the State Agency's responsibility to monitor progress toward adherence to the stated objectives.

Agency:

- Must follow their department's procurement policies and procedures, recognizing that the policies and procedures of the delegating authority supersede those of the department in the event of a conflict.
- Designates a CCI for the contract at the time a requisition is sent to PurchOps. A CCI should be identified as early as possible in the procurement process, should participate in the development of the SOW if possible, and attend key meetings during the pre-award phase of the procurement process.

Contract Compliance Inspector Responsibilities – Pre Award:

- Participates in market research conducted by department during requirements gathering phase for development of the SOW (see procedure 0510.31 SOW).
- Works with department procurement and personnel staff to obtain Department of Civil Service approval via a revised CS-138, if conditions cited in the original CS-138 change before an award is made.
- Assists agency buyer with completion of the PRF to be forwarded to DMB PurchOps to initiate the purchase or amendment.
- Completes the risk assessment report, and risk assessment action plan in consultation with PurchOps contract administrator specializing in the area of purchase.
- Reads and gains understanding of entire Invitation to Bid (ITB) or Request for Proposal (RFP), including terms and conditions, certifications and representations, which may impact delivery capabilities, contract performance expectations, results and/or corrective action options if they become necessary once a contract has been awarded.
- Participates in pre-bid meetings, oral presentations and the joint evaluation committee process (see procedure 0510.34 Joint Evaluation Committee (JEC)).

- Participates in the solicitation, evaluation, selection and recommendation processes, as requested by DMB PurchOps buyer and/or required by using agency (see procedures 0510.32, .33, & .35 Bid, Evaluation and Award).
- Reviews the awarded contractor's detailed work plan to insure that it will result in meeting the objectives and tasks stated in the contract.
- Participates in the contract kick-off conference planning and conference sessions once the contract is fully approved and signed (see procedure 0610.01 Contracting), meeting with the contractor to discuss provisions of the contract, in order to insure mutual understanding of the respective roles and responsibilities of the contract compliance inspector, the contractor and PurchOps. The State and the contractor are bound mutually by the terms, conditions and work statement contained in the contract. Neither the contract compliance inspector nor the contractor may alter the contract.

Contract Compliance Inspector Responsibilities – Post Award:

- Understands contract provisions. Overall, the Terms and Conditions specified in the contract drive the data needed to determine compliance.
- Maintains accurate and thorough contract documentation including:
 - Project risk assessment report
 - Project risk assessment action plan
 - ITB/RFP and any addenda issued
 - Awarded contractor's responses
 - Clarification and/or negotiation documentation
 - Signed contract (Articles and Appendices) (formal contractual document or purchase order)
 - Draft deliverables (as included in contract)
 - Final deliverables (as included in contract)
 - Correspondence and memorandums
 - Contract compliance reports
 - Vendor performances
 - Contractor's invoices and supporting documentation
 - Vendor score cards
 - Contract Closeout Report
- Monitors the contract to ensure compliance with all contract provisions:
 - Monitor actual progress against work schedules.
 - Monitors both vendor and state activities in terms of their commitments and responsibilities as laid out within the contract agreement, understanding that failure of the state to meet their contractual obligations can result in modifications to the contract and adversely impact performance and quality of deliverables.
 - Monitor progress of work to ensure that services are performed according to the quality, quantity, objectives, timeframes and manner specified in the contract.
 - Adherence to milestones
 - Conformance to specifications
 - Conformance to baseline operational performance metrics
 - Conformance to service/quality levels outlined within the contract
 - Packing slips compared to commodities received
 - Achievement of percentage levels
 - Systems/Software runs, as required by the contract, after installation

- Review and approve contract deliverables.
 - Ensure that all work is completed and accepted by the agency before the contract expires.
 - Respond to requests of the contractor.
 - Resolve minor disputes.
 - Ensure that change notices are issued in sufficient time to process and execute such changes before the contract expires or funds are depleted in order to prevent a lapse in service. (Advance Notice of New or Expiring Contracts Report)
 - Communicates to PurchOps, through the department procurement office, any proposed contract changes, such as time extensions or technical adjustments. In the case of time extensions, requests should be made at least 30 days prior to the project's scheduled completion date.
 - Works with department procurement staff to obtain Department of Civil Service approval, via a revised CS-138, if proposed contract changes result in changes in conditions cited in the previous CS-138.
- Monitors contract expenditures to:
 - Ensure there are sufficient funds to pay for all services rendered as required by contract.
 - Ensure invoices are paid consistent with most favorable contract payment terms. Practicing a controlled disbursement process will allow the agency to capitalize on early pay discounts during times when investment interest rates are relatively low and/or available cash is most critical; yet releasing payment towards the end of the payment term is financially advantageous when interest rates are relatively high, allowing the state to maintain the benefit of the value of money, rather than passing that financial benefit on to the vendor.
 - Identify low spending levels and consider partial un-encumbrances and reassignment of funds, if appropriate.
 - Ensure vendor payments are commensurate with the level of goods and services received.
 - Review vendor invoices, and follow the department's standard procedures for processing vendor payments for invoices or portions of invoices approved for payment.
 - Report vendor performance items (see procedure 0510.10 Vendor Performance) in MAIN (PCHL5260) if the contractor is not performing in accordance with stated terms or conditions of the contract, if the services are of an unsatisfactory nature, or if the vendor is exceeding service requirements. Works with PurchOps to resolve significant and/or ongoing problems. Agencies requiring internal procurement office involvement should include them in this process. While the emphasis is on capturing complaints, it is recommended that positive comments be noted as well, to allow PurchOps to get a complete picture of vendor performance.
 - Holds regularly scheduled meetings with the contractor to discuss the project or services, and to review progress in accordance with terms of the contract using Contract Compliance Report form to document results.
 - Completes Notice of New or Expiring Contracts Report and forwards to PurchOps buying division in sufficient time (determined by PurchOps buyer) to develop the solicitation for contract replacement in the event the services/products will be needed after the current contract's term has expired. Utilizes the same mechanism, along with PurchOps Call for Project process, to notify PurchOps of the desire to exercise any contract extension options available within the contract. Advance notice is critical to allow for the best possible alternatives to remain available.
 - At the time of project completion, prior to initiating final payment, reviews the contractor's projects, including progress reports and deliverables, to ascertain whether all terms and conditions of the contract have been met (Vendor Score Card).

- To document that the objectives of the project or services have been addressed, writes a post-project review and evaluation (Vendor Score Card). Copies of the post-project review must be submitted to the department procurement office and to DMB PurchOps contract administrator, prior to final payment.
- Completes contract closeout process, including coordination of return of State materials, such as ID cards, SecureID, and equipment. (Contract Closeout Report)
- If the project is a multiple-phase activity, assists in development of the subsequent ITB/RFP, for submission to PurchOps for competitive solicitation.
- Maintains documentation of all contract monitoring and close out activities within contract file.

Ways to obtain feedback:

- Unsolicited feedback from end-users (e.g. complaints-prepare Vendor Performance in MAIN)
- Solicited feedback (e.g. surveys of end users-prepare Vendor Performance in MAIN)
- Inspections/Observations
- Vendor Reports
- Tests
- Audits
- Regularly scheduled vendor meetings

Useful tools for monitoring activities:

- Project Software (e.g. Microsoft Project)
- Spreadsheets (e.g. Microsoft Excel, Microsoft Access)

PurchOps:

- PurchOps reviews PRF submitted by agency buyer for new purchase, and/or CCI requesting an amendment.
- PurchOps buyer works with agency buyer and CCI throughout the SOW development and solicitation process to determine a solution which effectively meets the agency business requirements and most adequately serves the state's best interests. (See procedures 0510.31-0510.36 and 0610.01 Procurement Request – Administrative Board Approval)
- Assists the agency buyer and CCI with the risk assessment report and action plan prior to solicitation by the PurchOps buyer.

Contract Administrator Responsibilities – Post Award:

- Chairs the contract kick-off conference planning and conference sessions once the contract is fully approved and signed (see procedure 0610.01 Administrative Board), meeting with the contractor to discuss provisions of the contract, in order to insure mutual understanding of the respective roles and responsibilities of the contract compliance inspector, the contractor and PurchOps buyer and/or contract administrator.
- Reviews and approves the conference minutes and distributes to all conference participants, retaining a copy in the DMB PurchOps contract folder.
- Maintains open lines of communication with agency CCI and vendor representative throughout the life of the contract, participating in compliance review sessions and issue resolution meetings as requested, necessary, or required.
- Maintains copies of periodic contract compliance reports, and vendor score card reports in the DMB PurchOps contract file, prompting the CCI to complete them in the event they are not being done regularly.
- Investigates and resolves formal vendor performance issue input through MAIN (PCHL5260) and documents disposition on MAIN (PCHL5270).

- Works with agency to address planned and unplanned modifications which may arise throughout the contract term, negotiating and processing contract change notices according to DMB PurchOps policy and procedure and Signature Authority Letter.
- Participates in vendor score card review(s) and associated meetings.
- Confirms the Contract Close Out Report is completed accurately, and all deliverables have been received and accepted by the agency prior to payment of final invoice.
- Maintains complete contract record according to DMB PurchOps procedures throughout the life of the contract.
- Adheres to DMB Record Retention Policy at the close of the contract, for appropriate records maintenance.
- Transitions project to PurchOps buyer assigned to manage the process for competitive solicitation of the new or replacement contract in the event the project/need for contract deliverables continues beyond the life of the existing contract.

AUTHORITY: Relevant Acts:

- Public Act 431, of 1984 as amended (Governing Authority) w/ accompanying Agency Memorandums of Understanding (MOU)

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